

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

August 13, 2003

IN RE: *Request for Audit of BellSouth*)
Telecommunications, Inc.'s Tariff to Introduce) Docket No. 03-00344
CCS7 Access Arrangement Service)

REPLY TO BELL SOUTH CONCERNING REQUEST FOR AUDIT OF
CCS7 CHARGES

XO Tennessee, Inc. and AT&T Communications of the South Central States, LLC submit the following short reply to the Response filed in the above-captioned proceeding by BellSouth Telecommunications Inc.

BellSouth's Response conditionally concedes that the carrier will submit to a "reasonable review of its CCS7 revenue" to determine whether the tariff is "revenue neutral," *ie.* whether the revenue BellSouth has received from the tariff has been offset by BellSouth's reduction in other rates. Response, at 1. When the tariff was presented to the Authority last year, BellSouth explained that, as a concession to the intervening CLECs, BellSouth had voluntarily agreed to make the filing revenue neutral "in order to seek to get this tariff approved" by reducing local switching rates "in an amount commensurate with the increases." Transcript of Agenda Conference, May 7, 2002, p. 36. BellSouth also agreed, on the record, to a "reasonable periodic review as to whether or not the filing is, in fact, revenue neutral." *Id.*, at 37.

The Florida Public Service Commission has recently conducted a hearing as to whether this tariff has had a revenue neutral impact in that state. BellSouth witness Greg Follensbee acknowledged that, at least in Florida, the "increases in the introduction of the [CCS7] usage rate is [sic] providing greater revenue" than the offsetting reductions and that

BellSouth intended to file another tariff "that simply reduces the local switching rate further." The same witness said BellSouth had no plans to make comparable reductions in other states because Florida "is the only state that has raised the issue" and BellSouth had not looked at other states. "Joint Petition of US LEC et al. Objecting to and Requesting Suspension of Proposed CCS7 Access Arrangement Tariff," Docket No. 020129 Transcript of Hearing on Sept. 17, 2002, pp. 240-241, 255-256 (copies attached).


The issue has now been raised in Tennessee and, based on the Florida testimony, it appears likely the tariff has not had a revenue neutral impact and that BellSouth will presumably be required to make a further reduction in local switching charges.

BellSouth's Response to the audit request raises other issues which are either irrelevant or can be addressed by a Hearing Officer appointed to oversee the audit. There is no reason to delay any further a review of BellSouth's implementation of the CCS7 charges and the likely reduction in local switching charges which will result.

AT&T and XO therefore ask that the Authority grant their request for an audit and appoint a Hearing Officer to oversee the audit and resolve any disputes that may arise.

Respectfully submitted,

BOULT, CUMMINGS, CONNERS & BERRY, PLC

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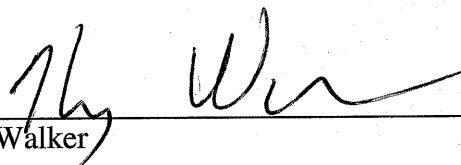
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been forwarded via U.S. Mail, postage prepaid, to:

Guy Hicks
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on this the 13th day of August, 2003.



Henry Walker

BEFORE THE
FLORIDA PUBLIC SERVICE COMMISSION

DOCKET NO. 020129-TP

In the Matter of

JOINT PETITION OF US LEC OF FLORIDA,
INC., TIME WARNER TELECOM OF FLORIDA,
L.P., AND ITC^DELTACOM COMMUNICATIONS
OBJECTING TO AND REQUESTING SUSPENSION
OF PROPOSED CCS7 ACCESS ARRANGEMENT
TARIFF FILED BY BELL SOUTH
TELECOMMUNICATIONS, INC.

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VOLUME 2
Pages 172 through 364

PROCEEDINGS: HEARING

BEFORE: CHAIRMAN LILA A. JABER
COMMISSIONER J. TERRY DEASON
COMMISSIONER BRAULIO L. BAEZ
COMMISSIONER MICHAEL A. PALECKI
COMMISSIONER RUDOLPH "RUDY" BRADLEY

DATE: Tuesday, September 10, 2002

TIME: Commenced at 9:30 a.m.
Concluded at 5:04 p.m.

PLACE: Betty Easley Conference Center
Room 148
4075 Esplanade Way
Tallahassee, Florida

REPORTED BY: JANE FAUROT, RPR
Chief, Office of Hearing Reporter Services
FPSC Division of Commission Clerk and
Administrative Services
(850) 413-6732

APPEARANCES: (As heretofore noted.)

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1 COMMISSIONER DEASON: Thank you.

2 MR. McDONNELL: I have no further questions.

3 CHAIRMAN JABER: Ms. Edwards. Ms. Edwards, did you
4 have any cross examination?

5 MS. EDWARDS: Yes, I do, but I believe Ms. McNulty
6 would like to go next.

7 CHAIRMAN JABER: Go ahead.

8 MS. McNULTY: I have a couple of questions, Mr.
9 Follensbee.

10 CROSS EXAMINATION

11 BY MS. McNULTY:

12 Q Good afternoon. I am Donna McNulty with WorldCom.

13 A Good afternoon.

14 Q In your summary, is it a fair characterization to say
15 that you stated that if BellSouth's tariff is allowed to
16 continue to be effective, BellSouth would lower its intrastate
17 switched access rates?

18 A Yes, to make up for the fact that our initial
19 estimate of revenue neutrality has proven not to be totally
20 accurate.

21 Q So, in other words, as of today the actual effect of
22 the tariff is that BellSouth is not revenue neutral?

23 A That is true based on what we represented to this
24 Commission when we filed the tariff. The increases in the
25 introduction of the usage rate is producing greater revenue

1 than the reductions from the elimination of the cellular
2 charges in A35 plus the local switching we did lower.

3 Q So BellSouth has not filed in this proceeding the
4 amount by which it intends to lower interstate switched access
5 rates in Florida, has it?

6 A No, it has not.

7 MS. McNULTY: Thank you. I have no further
8 questions.

9 CHAIRMAN JABER: Go ahead, Ms. Edwards.

10 MS. EDWARDS: Thank you.

11 CROSS EXAMINATION

12 BY MS. EDWARDS:

13 Q Mr. Follensbee, in follow-up to some questions that
14 you were answering to Mr. McDonnell and the Commissioners, you
15 formerly worked at AT&T, correct?

16 A Yes, ma'am.

17 Q And you are aware that AT&T has objected to paying
18 ALECs or CLECs more in access charges than that charged by the
19 incumbent, BellSouth Telecommunications, correct?

20 A I am.

21 Q Okay. So if DeltaCom were to, as in your example,
22 raise its intrastate Florida rates above that of what BellSouth
23 is charging, more than likely several IXC's would dispute or
24 contend that that is inappropriate?

25 A They may contend it is appropriate, but if you have

1 perhaps is not revenue neutral. Will that generate a new
2 tariff filing to correct that portion?

3 THE WITNESS: Yes. If this Commission does not order
4 us to remove the message billing from this tariff, then the
5 intent would be to very shortly file another tariff filing that
6 simply reduces the local switching rate further.

7 CHAIRMAN JABER: Now, that separate tariff that
8 applies to the ILECs, let's say that does need to be modified.
9 Does that have an effect on the tariff that we wind up with at
10 the end of this proceeding?

11 THE WITNESS: No. Because since we have specific
12 rates that apply to traffic that exchange between us and ILECs,
13 and if I recollect that is a tariff that actually this
14 Commission ordered us to file back in previous years, that
15 unless we get rid of the tariff completely and bring all of
16 that traffic under this tariff, I don't believe that it would
17 have to have an impact necessarily because -- what I don't know
18 is that when we look at all the messages and if we are going to
19 go to the same local switching rate, what that will do. We
20 have just got to take a look at it and see. I have also got to
21 make sure that there isn't some other previous Commission order
22 that caused us to file that tariff, if we have to do something
23 else with it besides just this.

24 CHAIRMAN JABER: Hindsight I'm sure is 20/20 as they
25 say, but it seems to me that entire review should have occurred

1 prior to this CCC7 filing.

2 THE WITNESS: For the State of Florida, I don't
3 disagree. I would not make that same conclusion for the other
4 states because they are all uniquely situated with what is
5 occurring between the companies on settlements.

6 CHAIRMAN JABER: Ms. Edwards.

7 MS. EDWARDS: Thank you.

8 BY MS. EDWARDS:

9 Q Assume for me for a moment hypothetically that
10 DeltaCom has a local customer. DeltaCom is an ALEC and has a
11 local customer in either Verizon or Sprint territory. Today
12 DeltaCom will be billed per message rates for those intrastate
13 non-local calls exchanged between -- non-local messages
14 exchanged between BellSouth's STP and DeltaCom's STP, correct?

15 A To the extent that your factors you provide us
16 include those calls is non-local intrastate, then this tariff
17 would apply to those calls because they would be non-local
18 intrastate.

19 Q And if I understand your testimony correctly, the
20 ILEC in whose territory DeltaCom is completing, the ILEC may or
21 may not either be paying a tariffed higher local switching rate
22 or may have some other agreement, like Sprint does, is that
23 correct?

24 A Could you repeat your question.

25 Q Sure. It was really complicated. Again, I'm trying